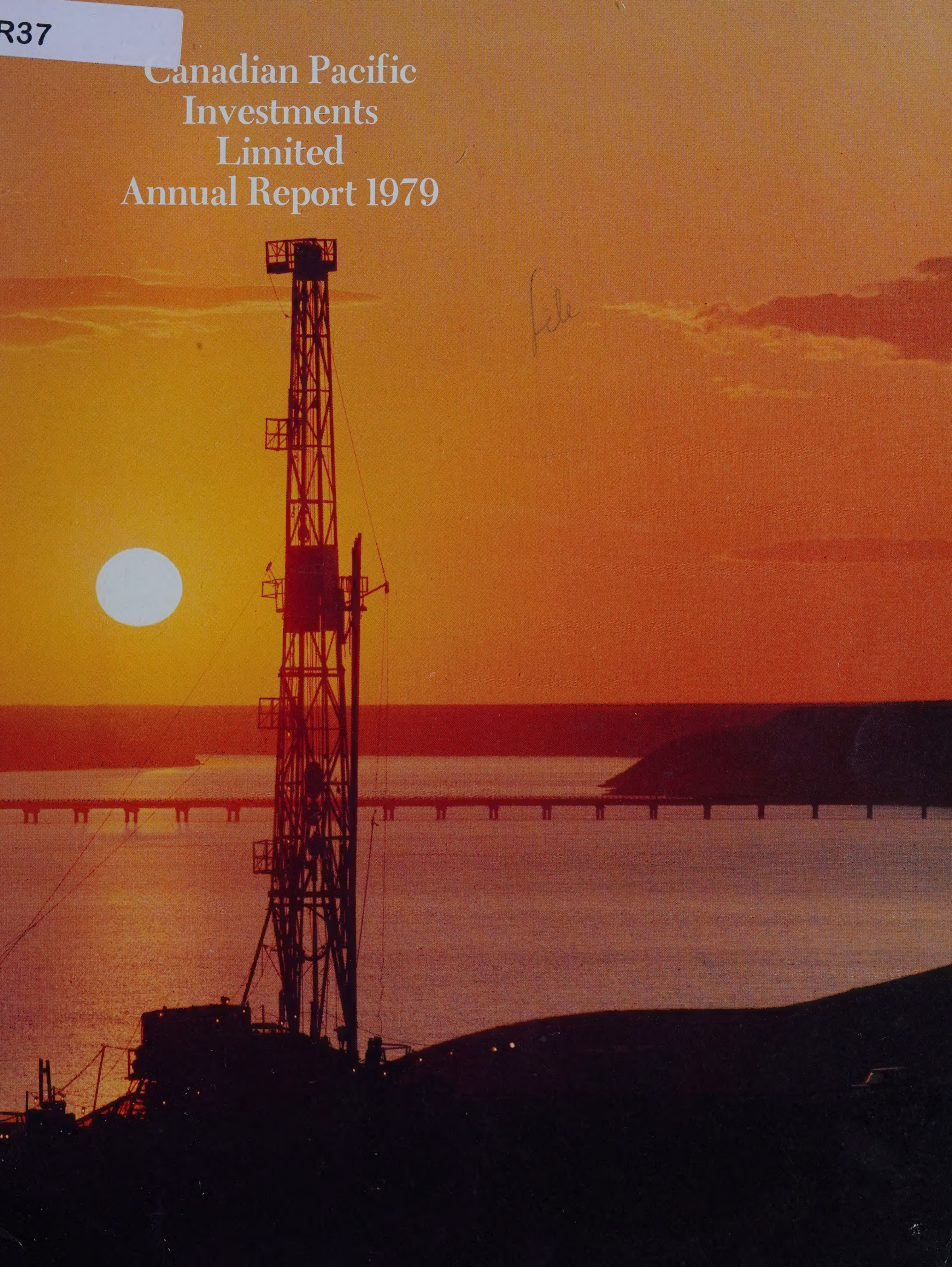
Canadian Pacific Investments Limited Annual Report 1979



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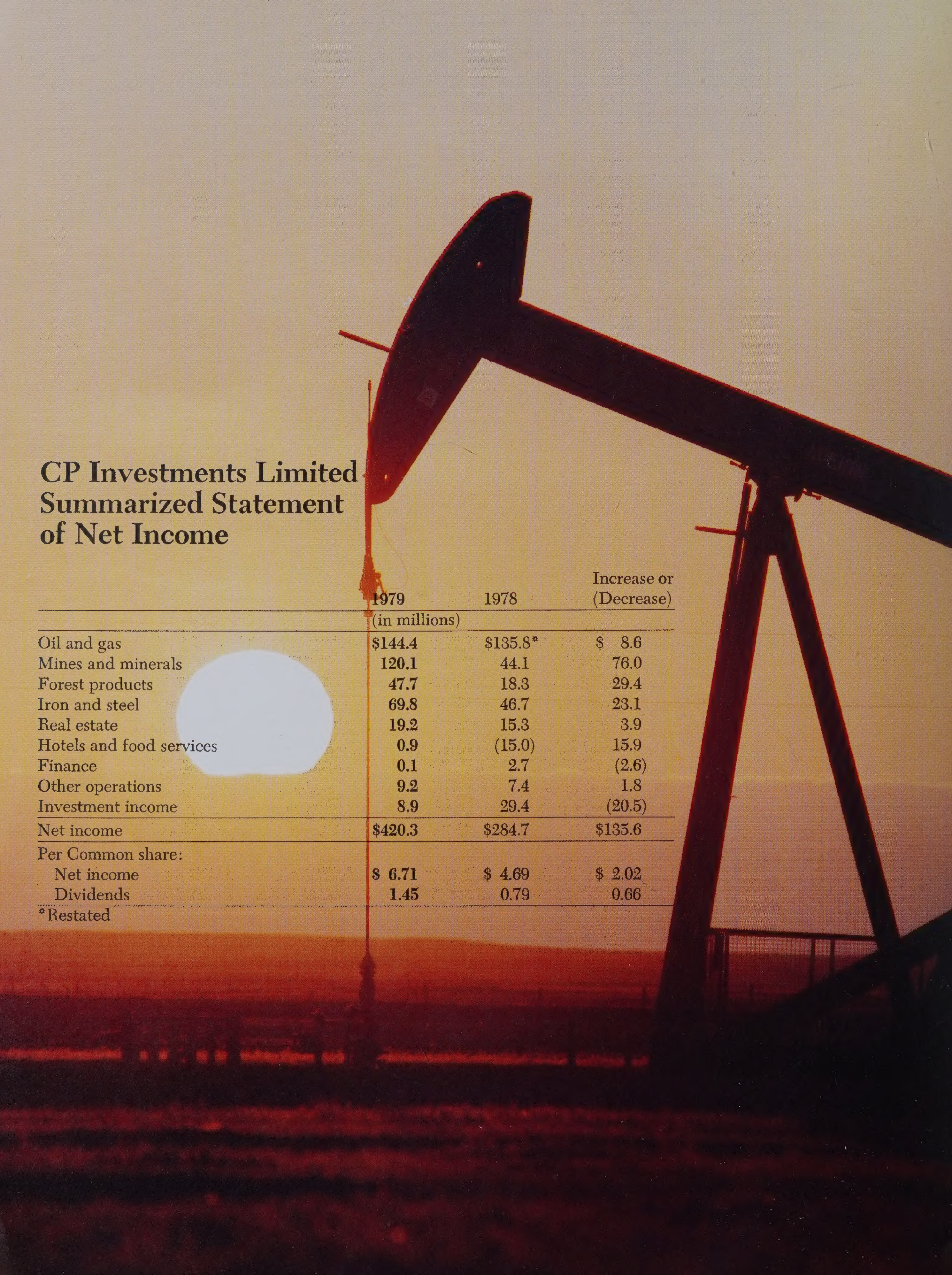


CP Investments Limited Summarized Statement of Net Income

	1979	1978	Increase or (Decrease)
	(in millions)		
Oil and gas	$144.4	$135.8*	$ 8.6
Mines and minerals	120.1	44.1	76.0
Forest products	47.7	18.3	29.4
Iron and steel	69.8	46.7	23.1
Real estate	19.2	15.3	3.9
Hotels and food services	0.9	(15.0)	15.9
Finance	0.1	2.7	(2.6)
Other operations	9.2	7.4	1.8
Investment income	8.9	29.4	(20.5)
Net income	$420.3	$284.7	$135.6
Per Common share:			
Net income	$ 6.71	$ 4.69	$ 2.02
Dividends	1.45	0.79	0.66

*Restated

To the Shareholders

Favourable market conditions, coupled with growth in earning power that had been developed through internal expansion and acquisitions, made 1979 an outstanding year for the Corporation. Consolidated net income reached a new peak of $420.3 million, up $135.6 million, or 48%, over the restated income of 1978. Per Common share, earnings amounted to $6.71, compared with $4.69 in 1978.

During the year the Corporation made a public issue of 5,250,000 additional Common shares at a price of $30 per share. The net proceeds amounted to $150.2 million.

Early in 1980 it was announced that the Corporation would seek shareholder approval at the forthcoming annual meeting to divide its Common shares on a two for one basis. As subsequently announced, the Corporation is proceeding with an offering of approximately three-quarters of a million new Common shares in the international markets outside North America.

The net earnings of the Corporation excluding the equity in income retained by subsidiaries amounted to $135.4 million, compared with $101.5 million in 1978. Out of these earnings the Corporation declared dividends of $1.45 per Common share in 1979 and $0.79 in 1978.

CP Investments has instituted a shareholder dividend reinvestment and share purchase plan, effective with the first dividend on Common shares declared and paid in 1980.

While higher levels of demand for most of the Corporation's resource products and manufactured goods were the dominant feature of the year, the relationship of the Canadian to the U.S. dollar was also a favourable factor for certain operations.

Despite the many advantageous market situations, the results achieved in 1979 would not have been possible without the buildup of the Corporation's capabilities over the years. Future earnings growth depends on further strengthening the asset base. This important connection is fully recognized in the program of developmental activity carried out in 1979 and planned for 1980. In 1979 PanCanadian undertook an extensive exploration program and proved additional reserves of both oil and gas in Western Canada. Cominco is embarked on a major expansion and modernization of its facilities in British Columbia and is developing a zinc-lead ore deposit in the Canadian High Arctic and a zinc-lead-silver ore deposit in Australia. Fording Coal recently announced a program to increase production capability.

Expansion of the asset base during the year also took the form of acquisition, largely in fields in which the Corporation is already engaged but also in some new areas. Marathon Realty purchased Canadian Freehold Properties Ltd., a company with a portfolio of office and industrial buildings and development sites across Canada and along the U.S. west coast. Great Lakes Forest Products acquired the pulp and paper operations of Reed Ltd. in Dryden, Ontario. Baker Commodities in the United States acquired a company engaged in rendering and fruit processing, and a newly formed subsidiary, Processed Minerals Incorporated, purchased the Carey Salt and wollastonite divisions of Interpace Corporation.

If the year stands out for higher levels of earnings, it is at least as notable for a sharp decline in public confidence in money as a store of value. This is expressing itself in the desire to hold tangible assets, "real" things. It is partly a consequence of the inflation of the money supply by many governments over many years. It is also an indication of a new awareness of the reality of scarcity — scarcity of low-cost energy, of low-cost minerals, of low-cost plant and equipment. As a result, higher values are being attributed to present fuel and raw material sources and existing manufacturing capacity. When such values are realizable in the marketplace they provide means as well as incentives to search for new supplies of energy, to explore for raw materials, and to provide new productive capacity.

The Directors wish to acknowledge the outstanding team work of officers and employees throughout the organization. The success of their joint efforts in the past year reinforces the Corporation's confidence in the future.

For the Directors,

Vice-Chairman

Chairman and Chief Executive Officer

Montreal, March 7, 1980

Oil and Gas

PanCanadian Petroleum Limited
Earnings of PanCanadian grew by 6% in 1979. The improvement over the restated income of 1978 was attributable to the combination of higher product prices and increased production.

Total capital expenditures amounted to $215.2 million in 1979, of which 82% was spent on domestic and 18% on U.S. and other foreign operations. The year's exploration activities included drilling around the Grande Prairie area of the Deep Basin in Alberta, where PanCanadian has succeeded in establishing a good acreage position. By year end oil was being produced from several wells in this area. Elsewhere in Alberta additional reserves of both oil and gas were proven. In northeastern British Columbia PanCanadian tested and completed two oil wells, and further activity is planned. In Eastern Canada PanCanadian is participating in drilling offshore and will earn an interest in acreage off the Labrador coast upon completion of a test well.

Current projects in the Countess and Parflesh fields in Alberta, which are scheduled for completion in 1980, will contribute to an increase in oil production. Further development in the Makepeace area proved additional gas reserves on lands under existing gas purchase contracts; substantial increases in gas production from these reserves will be fully realized in 1981. A major development drilling program will be undertaken in 1980 in the Countess-Verger area, where the company has a firm take-or-pay contract covering extensive shallow gas potential. Production at the Morley sour gas plant, west of Calgary, will commence early in 1980.

PanCanadian's activities outside Canada included participation in the drilling of oil and gas wells in the United States, the continuation of exploratory efforts offshore Australia and in the North Sea, and participation in seismic exploration in the South China Sea.

PanCanadian's comparative year-end proven and probable reserves are:

	1979	1978
Net after royalty		
Crude oil and natural gas liquids — million barrels	144.7	146.3
Natural gas — billion cubic feet	3,173.7	2,683.0
Sulphur — million long tons	2.9	3.0
Coal — million short tons	1,842.0	1,748.0
Gross		
Synthetic oil (Syncrude) — million barrels	44.9	57.0

During 1979 the Alberta Energy Company Ltd. exercised its option to acquire a 20% share in the Syncrude project. As a result, PanCanadian's interest in the project was reduced from 5% to 4%.

The Corporation's holding of PanCanadian, representing an 87.1% interest, had a market value of $1,760.6 million at the end of 1979, based on the closing market price of $64¾ per share.

Panarctic Oils Ltd.
Panarctic drilled nine wells in the Canadian Arctic during the year, and made a major gas discovery offshore Lougheed Island.

At the end of the year Canadian Pacific Investments held an 11.9% net interest in Panarctic through PanCanadian Petroleum and Cominco.

Mines and Minerals

Cominco Ltd.
1979 was the best year in Cominco's history, and earnings were more than triple those of the previous year. The Corporation's share of those earnings amounted to $109.1 million, up from $30.2 million in 1978.

The substantial growth in earnings was attributable mainly to strong demand and improved prices for metals generally, but particularly for gold, silver, lead and tin. Although zinc prices were higher than those realized in 1978, there was some softening in demand during the third quarter and production of zinc was reduced accordingly. An additional factor that contributed to earnings was the prevailing relationship between Canadian and U.S. dollars.

Cominco's sales volumes of chemical and fertilizer products and of potash were steady during the year and prices were higher. Potash production at Vade, Saskatchewan, was affected by a six-week strike. An agreement reached with the Province of Saskatchewan provides for some reduction in the level of resource taxation. As a result, the potash operation was profitable in 1979.

Late in the year Cominco commenced development of the Polaris zinc-lead ore deposit at a cost of approximately $150 million. The mine, located on Little Cornwallis Island in the Canadian High Arctic, is expected to begin production early in 1982 and to continue for at least twenty years. In Australia, Aberfoyle Limited, in which Cominco has a 47.2% interest, is proceeding with development of the Que River zinc-lead-silver ore deposit in Tasmania. The estimated cost of this project is $19 million. Production from it is expected to commence in 1981.

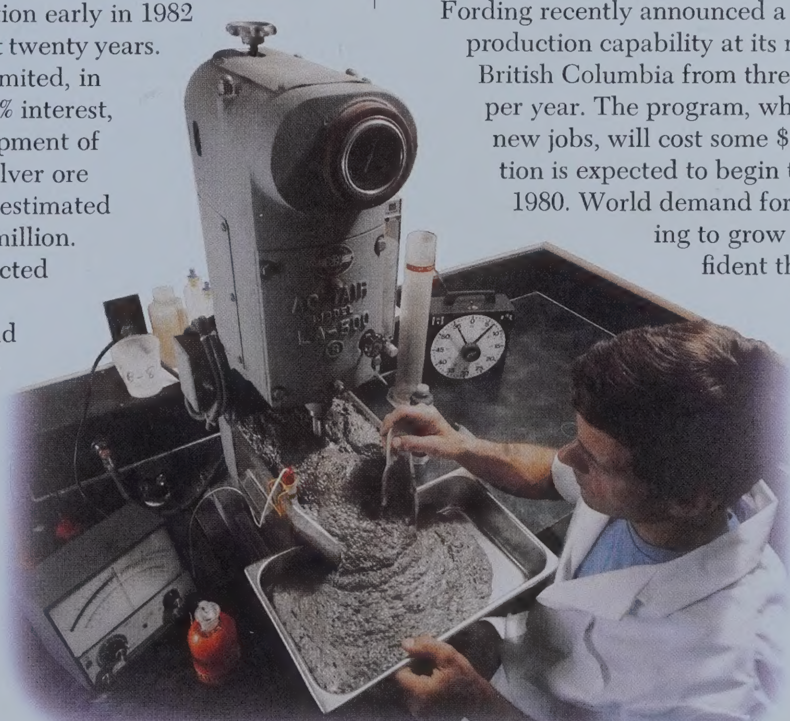
The major expansion and modernization of the metallurgical plants at Trail, B.C. and the Sullivan mine at Kimberley, B.C. is progressing well. During the year it was decided to advance the completion date of the 300,000 tons-per-year zinc facilities at Trail from 1984 to 1982.

The market value of the Corporation's 53.7% holding of Cominco common shares was $499.4 million at the end of 1979, based on the closing market price of $54½ per share.

Fording Coal Limited
Fording Coal, which is owned 60% by CP Investments and 40% by Cominco, had earnings of $14.2 million in 1979, down from $19.5 million in the previous year. In addition to its direct share of these earnings and its equity in Cominco's share, the Corporation received ownership payments from Fording amounting, after tax, to $2.5 million, compared with $1.8 million in 1978.

Although coal sales in 1979, at 3.0 million tons, were higher than the 2.8 million tons sold in 1978, Fording's earnings were lower principally because selling prices remained unchanged and labour, material and maintenance costs were higher. Fording's sales for the year included 300,000 tons of metallurgical coal sold on a trial basis to Europe, South America and Asia. A contract was signed during the year to provide 200,000 tons per year of thermal coal to the Republic of Korea beginning in 1982.

Fording recently announced a program to increase production capability at its mine in southeastern British Columbia from three to five million tons per year. The program, which will create 400 new jobs, will cost some $115 million. Production is expected to begin to increase by late 1980. World demand for coking coal is starting to grow and Fording is confident that new markets can be developed for the projected increase in its coal production.



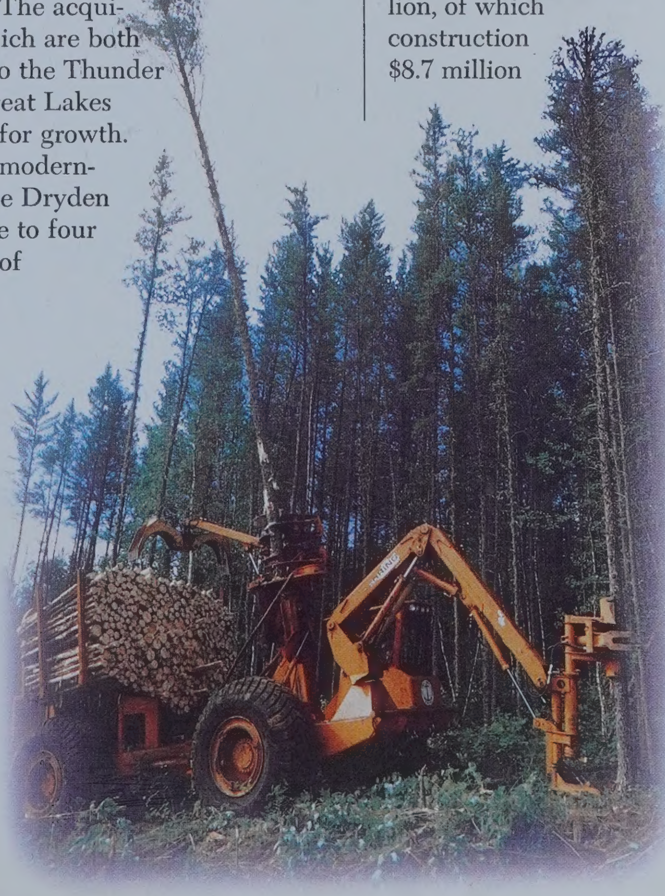
Forest Products

Great Lakes Forest Products Limited

Great Lakes Forest Products had a record year in 1979. The Corporation's net income from Great Lakes more than doubled — rising to $26.8 million from $11.3 million in 1978. Better prices for newsprint and kraft pulp, increased shipments of all products and the effect of a higher U.S. dollar exchange premium over the Canadian dollar all contributed to the substantial earnings growth.

Markets for newsprint and kraft pulp were unusually strong, and prices of each were increased twice during the year. A further price increase for pulp went into effect at the beginning of 1980 and a price increase for newsprint has been announced for May 1, 1980. Prices for stud lumber and waferboard for the first nine months of 1979 were comparable to 1978 levels, but dropped considerably in the fourth quarter due to the effect of high interest rates on housing starts. Because of weak demand for building products, Great Lakes closed its waferboard plant late in December for a three-week period.

In December Great Lakes purchased the fixed assets and working capital of the Dryden, Ontario, operations of Reed Ltd. for an estimated $89 million. The assets include a kraft pulp mill, a fine paper mill, a sawmill, a chemical plant and the rights to some 6,900 square miles of woodlands that, to a large extent, adjoin Great Lakes' existing area. The acquisition of these facilities, which are both complementary and close to the Thunder Bay operation, provides Great Lakes with excellent possibilities for growth. Great Lakes plans a major modernization and expansion of the Dryden facilities over the next three to four years, at an estimated cost of $200 million.



During the year CP Investments exercised the option, granted in 1974 in connection with a term loan provided by CP Securities Limited, to acquire 100,000 additional common shares of Great Lakes at $24 per share. However, after giving effect to the exercise of warrants by holders of Great Lakes' bonds issued in 1969, CPI's holding of Great Lakes' shares was reduced from 55.7% to 54.0%. The market value of this holding amounted to $97.1 million, based on the 1979 closing price of $46 per share.

Pacific Logging Company Limited

Earnings of Pacific Logging in 1979 were a record $20.6 million, up substantially from the $7.3 million reported for 1978. This achievement reflected better prices for logs and lumber and a higher volume of lumber sales. Included in income for 1979 was a gain of $3.3 million on sale of the company's 49.9% interest in Sooke Forest Products Ltd.; in 1978 there was a gain of $1.5 million on a similar sale.

Pacific Logging expanded its operations with the acquisition during the year of Belize Forest Products Ltd., a logging company holding timber cutting rights on Crown lands in British Columbia. Early in 1980, Mayo Forest Products, owned 60% by Pacific Logging, opened its new sawmill at Nanaimo, B.C., which is designed to cut lumber primarily for export to Japan.

Capital expenditures in 1979 amounted to $33.9 million, of which $13.9 million was spent on the construction of the new Mayo mill and $8.7 million on the construction of logging roads.

Pacific Logging's ongoing forestry program included the planting during the year of one million trees on 2,200 acres and the fertilization of approximately 3,000 acres.

Commandant Properties, Limited

Commandant had a satisfactory year due mainly to increased production and improved prices for hardwood logs and pulpwood.

Iron and Steel

The Algoma Steel Corporation, Limited
Record levels of sales, production and shipments made 1979 Algoma's most successful year. The Corporation's net income from Algoma was up from $36.8 million in 1978 to $54.4 million. Buoyant markets prevailed during the year and Algoma's earnings benefitted from increased selling prices and greater product shipments. In addition, improvements were achieved in operating efficiency. Algoma's equity interest in Dominion Bridge Company, Limited again made a significant contribution to earnings.

Demand was strong during the year for virtually all of Algoma's major steel products, but particularly seamless tubes, plate, sheet, structurals and rails. This strength reflected high levels of activity in the construction, transportation, oil and gas exploration, and agricultural and industrial equipment industries. Demand from the automotive industry showed notable weakening beginning in the late summer, but the impact of this on Algoma was minimized because of high levels of demand from other industries. Algoma increased its share of Canadian mill shipments during the year and at year end the order backlog was at a high level.

Capital expenditures for the year totalled $89.3 million, up from $39.2 million in 1978. In 1980, the plan for capital expenditures totals some $140 million. The new continuous slab casting facility was brought into operation in 1979, the fourth stage of development of an iron mine in northern Ontario was completed, and the new heat treat facilities for seamless tubes were put into operation. Construction is progressing on the new facilities for heat treating plate, with operation scheduled to begin by early 1981. Work began to increase capacity in the rail and structural mill, and on renovating and upgrading the wide strip mill.

Algoma has increased raw steel production by approximately one million tons in each of the past two decades. Studies are being undertaken to increase raw steel production further during the 1980's and to expand rolling mill facilities to process the higher volume.

During the year Algoma completed the issue of $100 million of income debentures arranged late in 1978.

Purchase of an additional 77,700 shares in 1979 raised CPI's interest to 55% of the outstanding common shares of Algoma Steel at year end. This holding had a market value of $196.8 million, based on the 1979 closing price of $30⅝ per share.

Dominion Bridge Company, Limited
In addition to its interest in Algoma's 43.1% share in Dominion Bridge, CP Investments has a 9.5% direct holding which contributed $5.9 million of income in 1979, $1.3 million more than in 1978. This increase reflected mainly Bridge's better results, but also purchases by CPI during the year of additional Bridge shares.

The main factor responsible for Dominion Bridge's higher earnings was profit on the sale of several operations, in whole or in part, during 1979. In two cases the reason for the sale was that the operations were not considered to fit in with the development plans of the company.

Operations in the United States and international sector accounted for 60% of Bridge's net operating income for the year. Operations in Canada provided a significantly improved contribution during 1979.

In the latter part of the year Bridge's wholly-owned U.S. subsidiary, AMCA International Corporation, announced its intention to make a cash offer for all the common shares of Warner and Swasey Company, a Cleveland-based machine tool manufacturer. AMCA later increased its offer, but subsequently elected not to meet a higher bid by another company, in view of alternative investment opportunities. AMCA can therefore be expected to pursue major acquisition opportunities in 1980.

During the year Dominion Bridge issued rights to its common shareholders to subscribe for additional shares. Both CPI and Algoma took up their entitlements, at a cost of $9.7 million and $37.3 million, respectively. In December Bridge's stock was split two for one. Including the effect of these two stock transactions, the combined number of Bridge's common shares held at year end by CPI and Algoma was 14,011,746, representing a total interest of 52.6%. The market value of these shares at year end was $232.9 million, based on the closing price of $16⅝ per share.

Steep Rock Iron Mines Limited

Income from Steep Rock amounted to $9.6 million, up from $5.4 million in 1978. The higher earnings resulted largely from a gain on disposal of fixed assets. In addition, earnings benefitted from increased investment income.

Steep Rock completed its mining operations at Atikokan early in 1979, when the economic ore reserves were exhausted. Pellet production continued until August, after which the company sold most of its mining and crushing equipment. The pellet plant is being maintained in good condition.

Steep Rock's present course is to retain and improve its working capital so that it will be able to participate in the development of its iron ore properties at Bending Lake and Lake St. Joseph, when those projects become economically feasible.

In 1979 CP Investments purchased an additional 546,575 shares of Steep Rock to bring its total holding to 77.1% of the issued stock. The market value of this holding was $27.4 million, based on the closing price of $4.40 per share.


ART
LDING
1852
WEST
COAST
LIFE
NSURANCE COMPANY
RIGHT
TURN
ONLY

Real Estate

Marathon Realty Company Limited had another successful year in 1979, with net income setting a new record. This reflected increased contributions from all sectors of the company's operations.

Developments in Marathon's office building sector during the year included the completion of a building in San Francisco, and one in Toronto which is the first phase of an office complex. Both buildings were approximately 80% leased by year end. Projects scheduled for completion in 1980 include a second building in Toronto, one in Portland, Oregon, Phase II of the Deer Lake complex in Burnaby, B.C. and restoration and interior redevelopment of the former CP Rail station in Vancouver. In Calgary, construction began on the new head office of PanCanadian Petroleum, with occupancy planned for 1981. In Atlanta, Georgia, a site was acquired for an office building, on which planning is now under way.

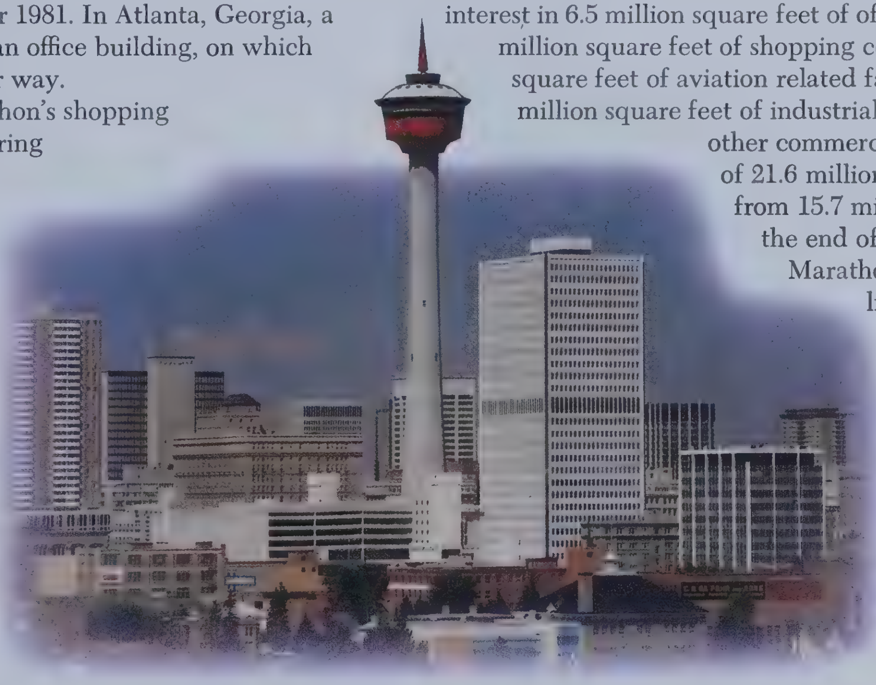
Expansion of Marathon's shopping centres progressed during the year with the opening of Place d'Orleans, near Ottawa. King Centre, a retail complex in downtown Kitchener, Ontario, is currently under construction and will open in the fall of 1980.

Sites for development of industrial parks were acquired during the year in Atlanta, Georgia, in Mississauga, Ontario and in Fremont, California, near San Francisco. Sales of industrial lots in Mayfair Industrial Park in Coquitlam, B.C. have been well maintained despite the sharp rise in interest rates.

During the year Marathon sold its one-third interest in the property leased to the Four Seasons Hotel in Calgary.

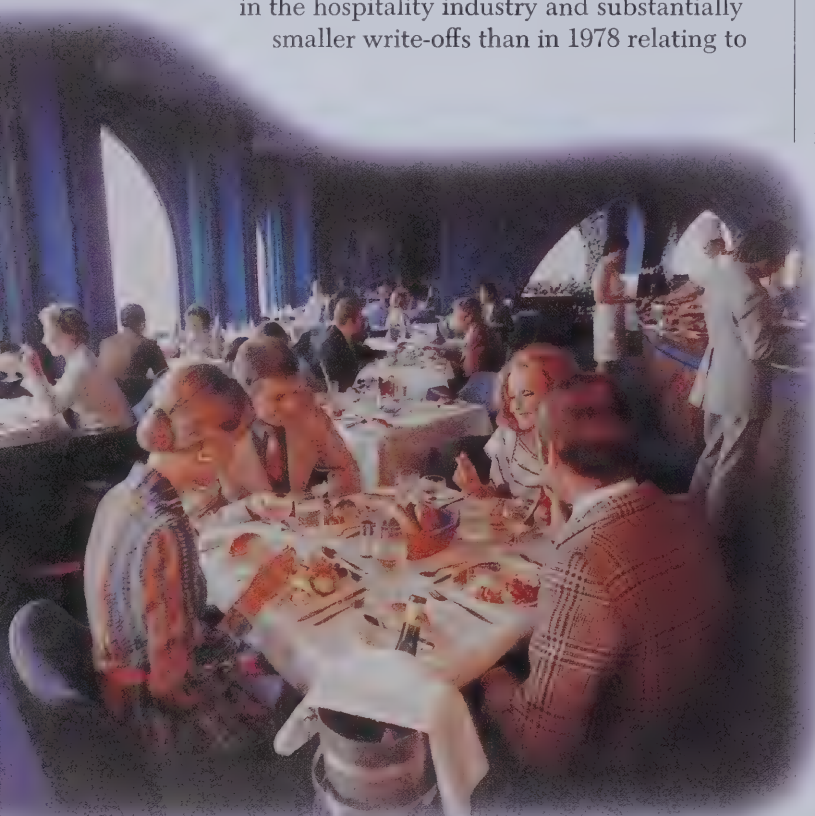
In December Marathon made a significant acquisition in the purchase of Canadian Freehold Properties Ltd., a Vancouver-based company with a portfolio of office and industrial buildings and development sites across Canada and along the west coast of the United States. With this acquisition, Marathon now owns or has an interest in 6.5 million square feet of office space, 5.2 million square feet of shopping centres, 1.7 million square feet of aviation related facilities and 8.2 million square feet of industrial, residential and other commercial space — a total of 21.6 million square feet, up from 15.7 million square feet at the end of 1978.

Marathon raised $50 million during the year through the sale of a private issue of income debentures, the funds from which were used in its Canadian development program.



Hotels and Food Services

Operations of Canadian Pacific Hotels Limited were restored to profitability in 1979, with earnings of $868,000, compared with a loss of $15.0 million in the prior year. This improvement reflected an upturn in the hospitality industry and substantially smaller write-offs than in 1978 relating to development projects undertaken previously.



Canadian operations showed improvement, with particularly significant gains from the Banff Springs Hotel, Chateau Lake Louise and the Empress Hotel — all in Western Canada — and the hotels in Ontario. Results of operations in Quebec were better, as the Château Champlain made a profit and losses at Mirabel and the Château Frontenac were reduced. Internationally, fees from managed units were satisfactory and reduced losses were incurred at the Frankfurt Plaza Hotel.

The new Chateau Airport Hotel and adjoining flight kitchen at Calgary's International Airport were opened during the year and a new flight kitchen, which is 40% owned by CP Hotels, began operation in Mexico City.

In the United States, construction is progressing on the 800-room Franklin Plaza Hotel in Philadelphia. Completion is expected in the fall of 1980, when CP Hotels will operate the property under a management agreement. CP Hotels will also be managing the Lucayan Beach Hotel in the Bahamas when the renovation program there is completed, probably in the latter part of 1980. The company terminated its contracts to manage two small properties in Mexico.

Finance

Chateau Insurance Company
Chateau Insurance had a loss of $1.1 million in 1979, compared with a profit of $1.6 million in 1978. The downturn reflected the persistence throughout 1979 of intense competition, particularly in the field of commercial insurance. As a result, premium income of Chateau was not adequate to offset a high level of claim losses. The unfavourable market conditions are expected to continue at least into the early part of 1980.

Canadian Pacific Securities Limited
Earnings of Canadian Pacific Securities amounted to $1.2 million in 1979, compared with $1.1 million in the preceding year. The slight improvement was the result of increased contributions from money market operations which more than compensated for a decline in earnings from lending activities.

Borrowings of the company to provide funds for money market operations and for lending to various companies in the CP Investments group amounted to $600 million at year end, an increase of $85 million over year-end 1978. Of the 1979 amount, $423 million was in short term promissory notes and $177 million in medium and long term debt.

Other Operations

Income of the Canellus International group of companies amounted to $8.6 million in 1979, compared with $6.4 million in 1978. Results in 1979 include earnings from acquisitions made in the United States in August in the fields of industrial minerals and agriproducts.

The Canellus group comprises non-Canadian interests of CP Investments. It has three principal subsidiaries in the United States — Baker Commodities, Inc., engaged in the agriproducts business, Syracuse China Corporation, which manufactures and sells commercial chinaware, and Processed Minerals Incorporated, producing salt and wollastonite.

Baker Commodities had a good year, reflecting strong tallow prices and higher export sales. However, stiff competition for raw materials had an adverse impact on costs and profits. During the year Baker acquired Corenco Corporation, a Massachusetts-based company, at a cost of approximately $16 million. Corenco has two divisions — a rendering operation and a fruit products operation. Corenco's rendering business is being absorbed into Baker's operations; it will provide Baker with an entry into the northeast rendering market as well as with east coast terminal facilities. The fruit products operation will remain a separate division, continuing as Theresa Friedman and Sons, Inc. to manufacture and sell, primarily under private label, fruit preserves and fruit juices to major food chains.

Syracuse China encountered for the first time a downturn in demand for chinaware in the U.S. food service industry. Syracuse adjusted to the lower demand by cutting its costs and postponing its expansion program. It is well positioned, however, to take advantage of the upswing expected in late 1980. The Canadian operations of Syracuse benefitted from firm markets and increased market penetration.

Processed Minerals was incorporated in 1979 to acquire the Carey Salt and NYCO divisions of Interpace Corporation. The cost of this acquisition was approximately $31 million. Carey Salt, based in Kansas, produces and markets salt for a variety of uses. The NYCO division, located in New York state, mines, processes and markets wollastonite, a non-metallic mineral used in the manufacture of ceramics, plastics, coatings, refractories and fire resistant wallboard. Prospects for growth in the usage of wollastonite are enhanced by its non-carcinogenic nature.

Rothsay Concentrates Co. Limited, a Canadian subsidiary owned directly by CPI, earned $542,000 compared with $956,000 in 1978. The decline was due to a fourteen-week strike affecting its rendering operations. However, strong finished product markets and high volumes of raw material enabled Rothsay to make a good recovery after the strike was settled. Late in 1979 the company acquired a 3,000 metric ton bulk liquids storage facility on the Toronto waterfront.

Investment Income

Investment income was down $20.5 million from 1978, when there was a net gain, after income tax, of $23.8 million on the sale of the Corporation's 12% interest in TransCanada PipeLines Limited. The decrease was partially offset by higher interest income.

Major portfolio transactions during the year were the exercise of rights to acquire 80,975 shares of MICC Investments Limited and the sale of 82,500 common shares of Brascan Limited.

In early March 1980 the Corporation sold its 13.4% interest in MacMillan Bloedel Limited and realized a net gain, after income tax, of $13 million.

Summary of Significant Accounting Policies

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Investments Limited (CPI). The Directors have determined the classes of business of CPI at a meeting of the Directors and have recorded them in the minutes of the meeting. The classes of business are based upon the major activities of significant subsidiaries, and the principal subsidiaries included in each class are as follows:

		Percentage Ownership
Oil and gas	PanCanadian Petroleum Limited	87.08%
Mines and minerals	Cominco Ltd.	53.75%
	Fording Coal Limited	60% CPI and 40% Cominco
Forest products	Pacific Logging Company Limited	100%
	Great Lakes Forest Products Limited	54.01%
	Commandant Properties, Limited	100%
Iron and steel	The Algoma Steel Corporation, Limited	54.97%
	Steep Rock Iron Mines Limited	77.11%
	Dominion Bridge Company, Limited	9.46% CPI and 43.15% Algoma
Real estate	Marathon Realty Company Limited	100%
Hotels and food services	Canadian Pacific Hotels Limited	100%
Finance	Canadian Pacific Securities Limited	100%
	Chateau Insurance Company	99.96%
Other operations	Canellus International N.V.	100%
	Rothsay Concentrates Co. Limited	100%

Algoma Steel supplies structural steel and plate to Dominion Bridge, and until the cessation of its mining and pelletizing operation, Steep Rock supplied iron ore pellets to Algoma. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1979, $71,920,000; 1978, $63,920,000. Inter-company interest charges, amounting to $35,084,000 in 1979 and $29,310,000 in 1978, have not been eliminated in the statement of consolidated income in order to present fairly the results by activity. CPI's net income is not affected by this practice. There are no other significant inter-company charges within the CPI group of companies.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets, related depreciation, depletion and amortization and long term debt (excluding the current portion) have been translated at historical rates. Revenues and expenses (except depreciation, which is translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are included in income.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Other Operations) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties	The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.
Accounting for mining properties	Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.
Accounting for iron and steel properties	Depreciation of manufacturing plant and equipment is provided on the straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment, mine development and deferred overburden removal costs are amortized on a unit of production basis over the estimated recoverable iron ore and coal reserves. Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred. Interest incurred on funds borrowed directly to finance the development of new raw material properties is capitalized during the period of construction and initial development. Such interest is included in the charge to earnings for depreciation and amortization when production commences in commercial quantities.
Accounting for real estate properties	All operating and carrying costs net of rental revenues are capitalized for all income producing properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time. Land under development and held for development is carried at cost, including carrying costs, principally real estate taxes and interest. Buildings and construction in progress are carried at cost including real estate taxes, interest and initial leasing costs. The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.
Accounting for other properties	Depreciation and amortization of other properties are charged to earnings, generally on the straight-line basis, over the estimated economic lives of the facilities involved. Interest on debt incurred to finance major expansion programs under Forest Products and Hotels and Food Services is capitalized during the construction period.
Pensions	In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1993.
Income taxes	The companies follow the tax allocation basis of accounting for income taxes, whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred.
Earnings per share	Earnings per common share are calculated using the weighted average number of shares outstanding during the year.

Statement of Consolidated Income

	For the Year ended December 31	1979	1978
		(in thousands)	
Oil and Gas	Gross operating revenue	$ 423,905	$ 332,881
	Expenses including income taxes	258,075	176,998
		165,830	155,883
	Interest of outside shareholders	21,425	20,109
	Net income	144,405	135,774
Mines and Minerals	Gross operating revenue	1,483,825	1,089,777
	Expenses including income taxes	1,239,113	1,007,907
		244,712	81,870
	Interest of outside shareholders	124,558	37,739
	Net income	120,154	44,131
Forest Products	Sales and operating revenue	470,438	361,254
	Expenses including income taxes	399,886	333,786
		70,552	27,468
	Interest of outside shareholders	22,875	9,166
	Net income	47,677	18,302
Iron and Steel	Sales and operating revenue	2,198,560	1,863,793
	Expenses including income taxes	2,045,265	1,749,515
		153,295	114,278
	Interest of outside shareholders	83,514	67,557
	Net income	69,781	46,721
Real Estate	Gross rentals and other income	130,495	128,690
	Expenses including income taxes	111,079	113,164
		19,416	15,526
	Interest of outside shareholders	175	211
	Net income	19,241	15,315
Hotels and Food Services	Gross operating revenue	211,369	182,124
	Expenses including income taxes	210,501	197,111
	Net income	868	(14,987)
Finance	Gross operating revenue	76,739	62,922
	Expenses including income taxes	76,619	60,191
	Net income	120	2,731
Other Operations	Gross operating revenue	305,799	208,290
	Expenses including income taxes	296,615	200,857
	Net income	9,184	7,433
Investment Income	Gross income	31,849	46,952
	Expenses including income taxes	22,950	17,598
	Net income	8,899	29,354
	Net Income	$ 420,329	$ 284,774
Earnings per Common Share	Net income	$6.71	$4.69

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31	1979	1978
	(in thousands)	
Balance, January 1		
As previously reported	$ 899,854	$674,047
Add: Prior period adjustment to give effect to retroactive income tax regulation amendments providing for accelerated deduction of earned depletion	10,824	—
As restated	910,678	674,047
Net income	420,329	284,774
	1,331,007	958,821
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of $3,495,000)	3,787	—
Commission and expense relating to issuance of preference shares by subsidiary companies	—	147
Dividends		
4¾% Preferred shares	35	40
Common shares (per share — 1979 - $1.45; 1978 - 79¢)	92,221	47,956
Total dividends	92,256	47,996
Balance, December 31	$1,234,964	$910,678

Statement of Changes in Consolidated Financial Position

	For the Year ended December 31	1979	1978
		(in thousands)	
Source of Funds	Net income	$ 420,329	$ 284,774
	Add: Depreciation, depletion and amortization	258,880	233,071
	Deferred income taxes	155,141	89,604
	Outside shareholders' interest in income of subsidiaries	252,547	134,782
	Funds from operations	1,086,897	742,231
	Issuance of common shares	157,500	—
	Sales of investments	12,820	63,517
	Issuance of long term debt	326,414	417,175
	Issuance of shares by subsidiaries	45,283	50,000
	Proceeds from disposal of properties	109,366	41,768
	Working capital of subsidiaries acquired and consolidated	14,872	127,093
		$1,753,152	$1,441,784
Application of Funds	Additions to properties	$ 727,508	$ 661,053
	Additions to investments	33,747	29,622
	Investment in subsidiaries acquired and consolidated	112,357	24,367
	Reduction in long term debt	285,294	226,387
	Reduction of outside shareholders' interest in subsidiaries	8,144	11,227
	Dividends declared	92,256	47,996
	Dividends paid outside shareholders of subsidiaries	96,842	52,286
	Sundries (net)	26,488	2,580
	Working capital deficit of subsidiary acquired and consolidated	58,931	—
	Increase in working capital	311,585	386,266
		$1,753,152	$1,441,784

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet — Assets

	December 31	1979	1978
		(in thousands)	
Current Assets	Cash and temporary investments, at cost (approximates market)	$ 861,652	$ 469,064
	Deposits and demand loans (interest bearing) — Canadian Pacific Limited and subsidiaries	43,474	141,765
	Accounts receivable	835,642	698,175
	Inventories	891,505	679,464
	Prepaid expenses	24,659	29,037
		2,656,932	2,017,505
Investments, at cost	Portfolio (market value $169,223,000; 1978 — $144,306,000)	152,502	152,668
	Other	233,066	214,425
		385,568	367,093
Properties, at cost	Oil and gas	1,200,562	1,047,391
	Mines and minerals	1,272,527	1,122,659
	Forest products	642,314	528,316
	Iron and steel	1,231,070	1,232,901
	Real estate	825,155	519,736
	Hotels and food services	209,272	200,291
	Other operations	91,311	40,459
		5,472,211	4,691,753
	Less: Accumulated depreciation, depletion and amortization	1,686,530	1,546,944
		3,785,681	3,144,809
Other Assets and Deferred Charges		181,686	156,824
		$7,009,867	$5,686,231

Auditors' Report to the Shareholders of Canadian Pacific Investments Limited

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited as at December 31, 1979 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for the year then ended. Our examination of the financial statements of Canadian Pacific Investments Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other subsidiaries, which include The Algoma Steel Corporation, Limited, Cominco Ltd., Dominion Bridge Company, Limited, Great Lakes Forest Products Limited and Steep Rock Iron Mines Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants,
Montreal, Quebec, March 6, 1980

Consolidated Balance Sheet — Liabilities

	December 31	1979	1978
		(in thousands)	
Current Liabilities	Bank loans	$ 61,874	$ 49,631
	Accounts payable and accrued charges	794,541	634,801
	Notes and accrued interest payable	406,756	308,079
	Income and other taxes payable	223,476	127,310
	Dividends payable	53,943	26,898
	Long term debt maturing within one year	119,826	185,855
		1,660,416	1,332,574
Deferred Liabilities		56,796	44,315
Long Term Debt		1,625,030	1,478,829
Outside Shareholders' Interest in Subsidiary Companies		1,150,535	944,198
Deferred Income Taxes		610,282	461,209
Shareholders' Equity	Preferred shares		
	Authorized – 12,500,000 shares		
	Issued – 34,690 (1978 – 39,657)		
	4¾% Cumulative Redeemable		
	Voting, Series A	694	793
	Common shares		
	Authorized – Unlimited		
	Issued – 65,954,118 (1978 – 60,704,118) shares	589,310	431,810
	Paid-in surplus	81,840	81,825
	Retained income	1,234,964	910,678
		1,906,808	1,425,106
		$7,009,867	$5,686,231

Approved on behalf of the Board:
Ian D. Sinclair, Director
Paul A. Nepveu, Director

See Summary of Significant Accounting Policies, Other Financial Information and Notes to Consolidated Financial Statements.

Other Financial Information

Depreciation, Depletion and Amortization Charged to Expenses

	1979	1978
	(in thousands)	
Oil and gas	$ 54,030	$ 40,749
Mines and minerals	80,932	76,268
Forest products	29,606	25,641
Iron and steel	69,822	67,526
Real estate	6,610	5,555
Hotels and food services	12,053	13,954
Other operations	5,827	3,378
	$258,880	$233,071

Interest Expense

	1979	1978
	(in thousands)	
Interest on long term debt	$156,306	$134,123
Interest on short term debt	58,364	31,177
	$214,670	$165,300
Interest capitalized on funds borrowed to finance capital projects	$ 12,596	$ 8,589

Income Taxes

	1979	1978
	(in thousands)	
Oil and gas	$ 74,355	$ 49,734
Mines and minerals	137,989	64,063
Forest products	46,647	25,586
Iron and steel	77,400	40,349
Real estate	13,297	8,743
Hotels and food services	2,788	(3,939)
Finance	(1,630)	1,920
Other operations	5,706	6,152
Investment income	(4,859)	6,998
Total (including deferred income taxes of 1979 – $155,141,000; 1978 – $89,604,000)	$351,693	$199,606

Other Financial Information

Inventories

	1979	1978
	(in thousands)	
Oil and gas		
Products	$ 6,995	$ 6,553
Materials	3,185	2,889
	10,180	9,442
Mines and minerals		
Products	127,481	118,034
Work in progress	39,740	25,719
Raw materials and supplies	131,235	67,218
	298,456	210,971
Forest products		
Products	14,279	5,513
Work in progress	15,170	7,920
Raw materials and supplies	52,278	30,806
	81,727	44,239
Iron and steel		
Products	62,277	66,662
Work in progress	124,302	108,676
Raw materials and supplies	263,730	207,154
	450,309	382,492
Real estate		
Materials and supplies	164	155
Hotels and food services		
Materials and supplies	9,295	9,294
Other operations		
Products	28,716	17,578
Work in progress	2,391	2,675
Raw materials	10,267	2,618
	41,374	22,871
	$891,505	$679,464

Investment Portfolio as at December 31, 1979

	Number of shares	Percentage of outstanding voting shares	Cost	Approximate market value
			(in thousands)	
Common Shares				
MacMillan Bloedel Limited	2,849,600	13.40	$ 82,560	$ 76,939
MICC Investments Limited	404,875	5.66	2,293	4,454
Norcen Energy Resources Limited	271,700	1.13	3,804	8,662
Rio Algom Limited	1,331,956	9.86	30,823	42,463
Union Carbide Canada Limited	825,300	8.24	18,375	22,489
Other			4,220	5,666
			142,075	160,673
Preferred Shares			8,229	6,649
Bonds, Debentures and Notes			2,198	1,901
			$152,502	$169,223

Other Financial Information

Other Investments, at cost

	1979	1978
	(in thousands)	
Tara Exploration and Development Company Limited	**$ 26,903**	$ 26,903
Bethlehem Copper Corporation	**41,313**	41,313
Panarctic Oils Ltd.	**40,483**	39,119
Tilden Iron Ore Partnership	**41,890**	34,458
Other	**82,477**	72,632
	$233,066	$214,425

Properties and Accumulated Depreciation, Depletion and Amortization

	1979 (in thousands)			1978
	Cost	Accumulated depreciation, depletion and amortization	Net	Net
Oil and gas				
Equipment	$ 353,325	$ 81,518	$ 271,807	$ 296,754
Petroleum, natural gas and mineral properties	847,237	211,829	635,408	508,491
	1,200,562	293,347	907,215	805,245
Mines and minerals				
Land, buildings and equipment	1,021,624	410,385	611,239	538,418
Mining properties and development	250,903	97,151	153,752	139,206
	1,272,527	507,536	764,991	677,624
Forest products				
Land and improvements	11,932	—	11,932	8,630
Buildings and equipment	542,805	216,103	326,702	245,874
Timberlands, leases and licences	87,577	17,031	70,546	69,456
	642,314	233,134	409,180	323,960
Iron and steel				
Manufacturing plants	1,072,763	473,015	599,748	595,273
Raw material properties	158,307	76,094	82,213	69,477
	1,231,070	549,109	681,961	664,750
Real estate				
Land	242,729	—	242,729	145,498
Buildings	458,442	37,876	420,566	289,562
Construction in progress	123,984	—	123,984	55,819
	825,155	37,876	787,279	490,879
Hotels and food services				
Land	5,628	—	5,628	5,628
Buildings and equipment	203,644	53,332	150,312	142,942
	209,272	53,332	155,940	148,570
Other operations				
Land	9,025	—	9,025	2,981
Buildings and equipment	82,286	12,196	70,090	30,800
	91,311	12,196	79,115	33,781
	$5,472,211	$1,686,530	$3,785,681	$3,144,809

Other Financial Information

Long Term Debt

	1979	1978
	(in thousands)	
Canadian Pacific Investments Limited		
5⅛% – 5¼% Income Debentures due 1980	$ 13,000	$ 67,350
The Algoma Steel Corporation, Limited		
7⅜% – 11% Sinking Fund Debentures due 1987-1995	159,912	168,000
Floating Rate Income Debentures due 1999	106,880	—
8½% Series A notes due 1991	20,500	21,000
Sundry – due 1980	11,333	41,255
Canadian Pacific Hotels Limited		
8⅝% – 11⅜% First Mortgage Sinking Fund Bonds due 1992-1995	47,300	49,000
Sundry – due 1980-1988	6,491	13,799
Canadian Pacific Securities Limited		
Bank loans due 1983-1985	3,210	28,210
8¼% – 10½% Debentures due 1984-1993	98,750	103,400
9¼% – 10⅛% Notes due 1980-1983	75,000	75,000
Canellus International N.V.		
Sundry – due 1980-2001	32,556	15,410
Cominco Ltd.		
Bank loans due 1980-1985	29,612	35,162
8½% – 10⅞% Sinking Fund Debentures due 1991-1995	114,486	118,952
Notes due 1982-1996	49,224	49,224
Subsidiaries of Cominco Ltd.	41,426	50,364
Dominion Bridge Company, Limited		
Bank loans due 1980-1984	20,682	73,154
6½% – 10¼% Debentures due 1984-1986	67,612	35,570
Other notes payable 1980-1992	47,707	51,955
Great Lakes Forest Products Limited		
8% – 11¼% Sinking Fund Bonds due 1989-1995	45,762	50,146
8¾% Debentures due 1984	19,603	20,966
Sundry – due 1980-1989	7,727	35,580
Marathon Realty Company Limited		
Bank loans due 1980-1984	94,949	29,016
6½% – 11½% Sinking Fund Bonds due 1987-1998	79,502	80,803
Mortgages due 1980-2006	232,895	136,727
Sundry – due 1980-1991	97,773	23,356
PanCanadian Petroleum Limited		
Bank loans due 1980-1988	129,355	195,883
8⅛% – 9¾% Debentures due 1983-1992	81,775	83,000
Other companies	9,834	12,402
	1,744,856	1,664,684
Less: Long term debt maturing within one year	119,826	185,855
	$1,625,030	$1,478,829

Except where otherwise indicated, interest on bank loans fluctuates (in certain cases within defined limits) with the lender's prime commercial rate.

At December 31, 1979, foreign currency long term debt translated at current rates would be $488,881,000, which is $26,817,000 more than the amount at which it is carried above.

Annual maturities and sinking fund requirements for each of the five years following 1979 are:
1980, $119,826,000; 1981, $147,721,000; 1982, $87,614,000; 1983, $199,200,000; 1984, $131,487,000.

Notes to Consolidated Financial Statements

1. Capital Stock

The preferred shares, Series A, are redeemable at CPI's option at $20 per share.

CPI was continued under the Canada Business Corporations Act by certificate of continuance dated April 30, 1979. Under its articles of continuance, CPI changed its authorized preferred share capital from 12,500,000 shares of a par value of $20 each to 12,500,000 shares without nominal or par value and its authorized common share capital from 100,000,000 shares without nominal or par value to an unlimited number of such shares.

On August 22, 1979, CPI issued an additional 5,250,000 common shares for a cash consideration of $157,500,000.

2. Outside Shareholders' Interest in Subsidiary Companies

The outside shareholders' interest in subsidiary companies is comprised as follows:

	1979	1978
	(in thousands)	
PanCanadian Petroleum Limited	$ 72,612	$ 58,126
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	49,929	50,000
Floating rate preferred shares, series C	50,000	50,000
Common share equity	320,359	249,952
Great Lakes Forest Products Limited	69,160	43,258
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	59,813	60,000
Floating rate preference shares	80,000	80,000
Common share equity	260,604	222,381
Dominion Bridge Company, Limited	171,378	114,656
Steep Rock Iron Mines Limited	12,531	13,520
Other	4,149	2,305
	$1,150,535	$944,198

3. Pensions

At December 31, 1979 there were unfunded liabilities, determined by actuarial evaluations, of $204,000,000 which is being funded by a series of equal annual payments ending from 1981 to 1993.

4. Commitments and Contingencies

At December 31, 1979 commitments for capital expenditures amounted to $564,000,000 and minimum payments under operating leases were estimated at $576,000,000 in the aggregate, with annual payments in each of the five years following 1979 of:
1980, $43,000,000; 1981, $39,000,000; 1982, $38,000,000; 1983, $34,000,000; 1984, $27,000,000.

Algoma Steel, as a participant in an iron ore mining joint venture, is entitled to receive its proportionate share of production and is committed to pay its share of costs including minimum charges for principal and interest to cover the servicing of long term debt. Algoma's share of such minimum charges was $17,600,000 in 1979 and will average approximately $22,000,000 annually during the next five years.

5. Acquisitions

In December 1979, Marathon acquired for cash all the outstanding shares of Canadian Freehold Properties Ltd., and certain additional property rights. The latter company carries on real estate activities similar to those of Marathon in both Canada and the United States. In August 1979, an indirectly wholly-owned subsidiary of Canellus International N.V., Processed Minerals Incorporated, acquired for cash the net assets of the Carey Salt and NYCO divisions of Interpace Corporation. Carey Salt is a major regional producer of salt in the United States, while the NYCO division produces wollastonite, a white silicate mineral. Also in August 1979, another wholly-owned subsidiary in the Canellus group, Baker Commodities, Inc., acquired through a cash merger, Corenco Corporation, which is engaged in rendering and in fruit processing operations.

These acquisitions were accounted for as purchases and consolidated from the dates of acquisition.

A summary of the assets acquired and the consideration given is as follows:

	Canadian Freehold Properties	Carey Salt and NYCO	Corenco
	(in thousands)		
Net assets acquired at values assigned thereto:			
Assets	$227,620	$33,929	$38,428
Liabilities	165,106	3,328	22,845
	62,514	30,601	15,583
Excess of purchase price over fair value of assets acquired, ascribed to goodwill	3,659	—	—
Cash consideration	$ 66,173	$30,601	$15,583

6. Restatement

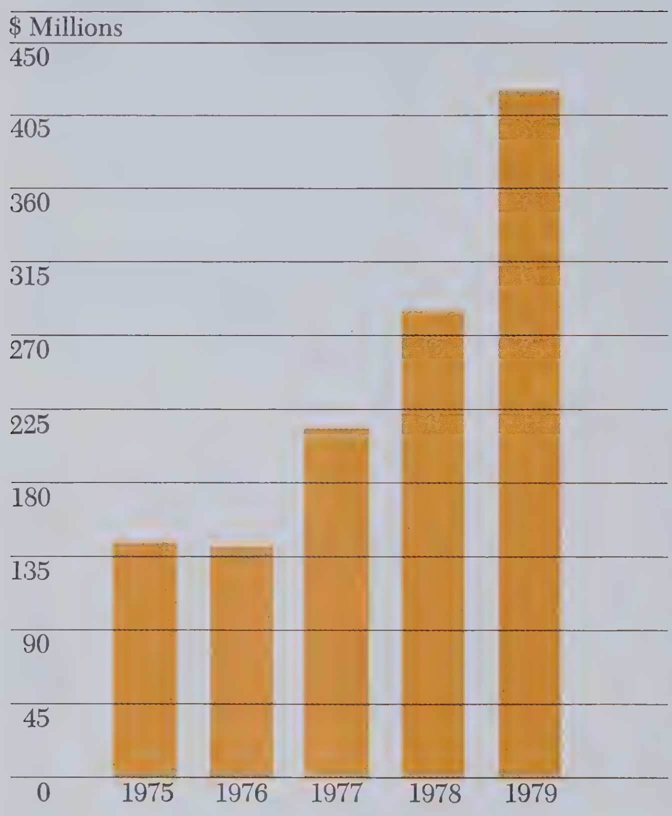
During 1979 PanCanadian Petroleum Limited restated its 1978 income tax provision to give effect to retroactive income tax regulation amendments providing for accelerated deduction of earned depletion. The 1978 figures have been restated to reflect this change for comparative purposes.

In addition, certain other figures for 1978 have been reclassified to conform with the presentation adopted for 1979.

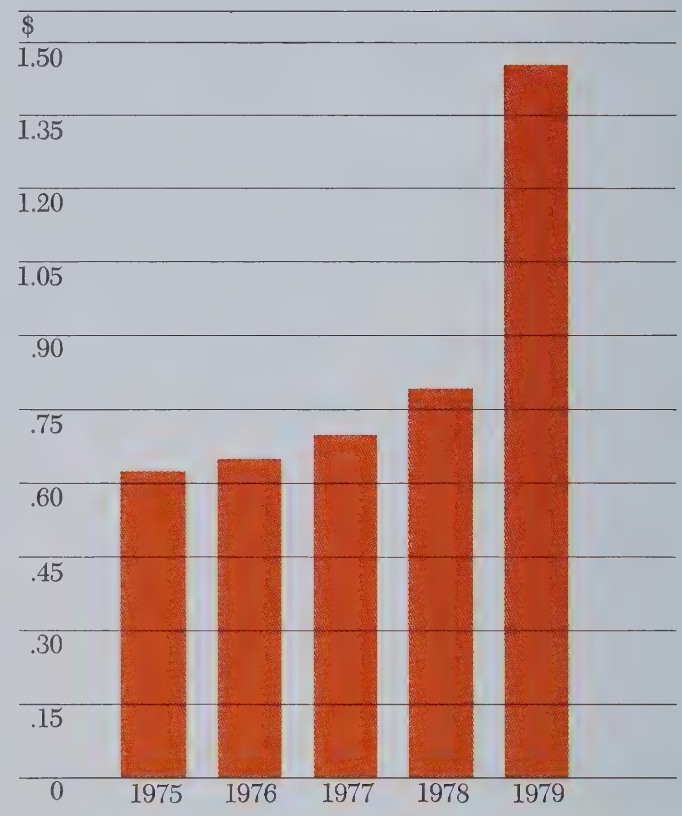
7. Subsequent Event

In early March 1980 CPI sold its interest in MacMillan Bloedel Limited and realized a net gain, after income tax, of approximately $13,000,000.

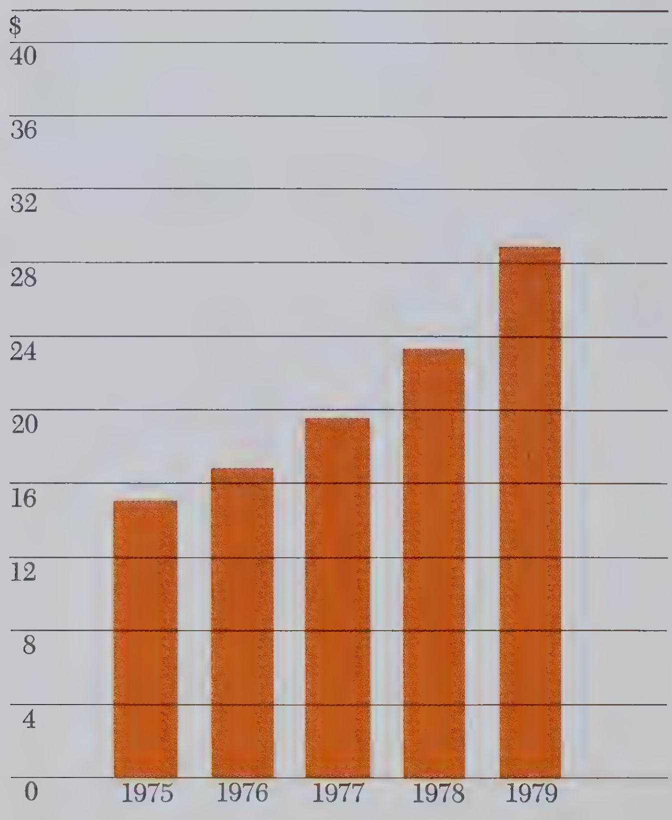
Consolidated Net Income



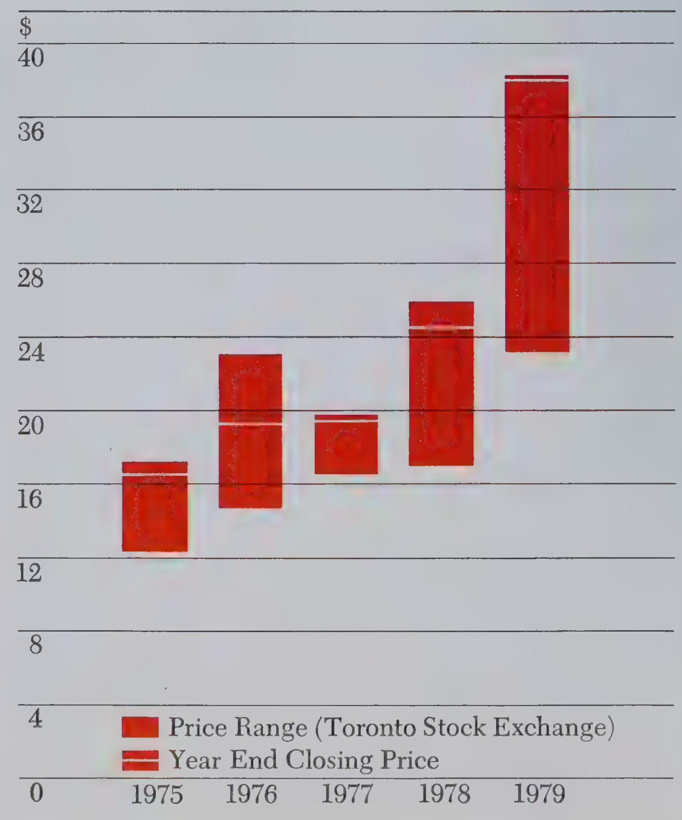
Dividends per Common Share



Shareholders' Equity per Common Share



Market Price per Common Share



Five-Year Summary

	1975	1976	1977	1978	1979
	Figures in thousands, except amounts per share				
Consolidated income					
Oil and gas	$ 59,805	$ 74,064	$110,222	$135,774	**$144,405**
Mines and minerals	53,819	32,360	41,064	44,131	**120,154**
Forest products	1,734	5,200	10,137	18,302	**47,677**
Iron and steel	22,257	13,467	22,988	46,721	**69,781**
Real estate	7,662	10,423	11,569	15,315	**19,241**
Hotels and food services	3,330	10	(4,696)	(14,987)	**868**
Finance	1,374	2,299	2,489	2,731	**120**
Other operations	(371)	837	4,426	7,433	**9,184**
Investment income	(7,233)	1,521	6,483	29,354	**8,899**
Income before extraordinary item	142,377	140,181	204,682	284,774	**420,329**
Extraordinary item	—	—	8,542	—	—
Net Income	$142,377	$140,181	$213,224	$284,774	**$420,329**
Dividends—Preferred Shares	$ 1,163	$ 809	$ 432	$ 40	**$ 35**
—Common Shares	36,315	38,270	41,690	47,956	**92,221**
Number of Shares Outstanding					
Common	58,727	59,491	60,704	60,704	**65,954**
Preferred	1,035	653	47	40	**35**
Per Common Share					
Income before extraordinary item	$2.42	$2.36	$3.41	$4.69	**$6.71**
Net income	2.42	2.36	3.55	4.69	**6.71**
Dividends	0.62	0.645	0.69	0.79	**1.45**
Market price —High	17⅛	22¾	19⅞	26	**38¼**
(Toronto Stock Exchange)—Low	12⅜	14¾	16½	17	**23¼**
Price/earnings ratio —High	7	10	6	6	**6**
—Low	5	6	5	4	**3**

Geographic Distribution of Net Property Investment

at December 31, 1979	Properties at Cost, less Depreciation (millions)	Percent of Total
Canada		
Atlantic Provinces	$ 31	1%
Quebec	192	5
Ontario	1,091	29
Prairies	1,102	29
B.C.	623	16
N.W.T., Yukon and Offshore	121	3
	3,160	83
Outside Canada		
United States	555	15
Other	71	2
	626	17
Total	$3,786	100%

Principal Subsidiary Companies

Canadian Pacific Investments Limited
Suite 1900
Place du Canada
Montreal, Quebec
H3B 2N2

***PanCanadian Petroleum Limited**
Robert W. Campbell, Chairman
2000, One Palliser Square
P.O. Box 2850
Calgary, Alberta
T2P 2S5

***Cominco Ltd.**
F. E. Burnet, Chairman of the Executive Committee
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205 - 9th Avenue S.E.
Calgary, Alberta
T2G 0R4

Pacific Logging Company Limited
W. M. Sloan, President
P.O. Box 10
468 Belleville Street
Victoria, British Columbia
V8W 2M3

***Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

Commandant Properties, Limited
L. M. Riopel, President
Suite 1900
Place du Canada
Montreal, Quebec
H3B 2N2

***The Algoma Steel Corporation, Limited**
John Macnamara, President
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

***Steep Rock Iron Mines Limited**
L. J. Lamb, Chairman and President
40 University Avenue
Toronto, Ontario
M5J 2G5

***Dominion Bridge Company, Limited**
K. S. Barclay, Chairman
1155 Dorchester Boulevard West
Montreal, Quebec
H3B 4C7

Marathon Realty Company Limited
S. E. Eagles, Chairman and President
Toronto-Dominion Centre
P.O. Box 375
Toronto, Ontario
M5K 1K8

Canadian Pacific Hotels Limited
A. G. Cardy, President
The Royal York Hotel
100 Front Street West
Toronto, Ontario
M5J 1E3

Canadian Pacific Securities Limited
R. S. DeMone, Chairman and President
20 King Street West
Toronto, Ontario
M5H 1C4

Chateau Insurance Company
R. T . Riley, Chairman
Suite 3000
2300 Yonge Street
Toronto, Ontario
M4P 2X3

Baker Commodities, Inc.
J. M. Andreoli, President
4020 Bandini Blvd.
Los Angeles, California 90023
U.S.A.

Processed Minerals Incorporated
Jon J. Rhine, President
One North Main Street
P.O. Box 459
Hutchinson, Kansas 67501
U.S.A.

Syracuse China Corporation
R. J. Theis, Chairman
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U.S.A.

Rothsay Concentrates Co. Limited
G. Brent Ballantyne, President
R.R. #1
Moorefield, Ontario
N0G 2K0

*A copy of the 1979 annual report of this company can be obtained by writing to its Secretary at the address shown.

Stock Holdings — at December 31, 1979

Common shares — outstanding 65,954,118, of which 50,000,000 were owned by Canadian Pacific Limited and the remainder by 20,287 shareholders, of whom 97.9% were Canadian registrants.

Preferred shares — Series A — outstanding 34,690, held by 642 registered shareholders, of whom 93.8% were Canadian registrants.

Transfer Agents and Registrars

Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

The Royal Trust Company, London, England.

Stock Listings

Common shares: Montreal, Toronto and Vancouver Stock Exchanges

Preferred shares, Series A: Montreal, Toronto and Vancouver Stock Exchanges

Notice of Annual Meeting of Shareholders

The Annual Meeting of the Shareholders of Canadian Pacific Investments Limited will be held on Monday, May 5, 1980, at Le Château Champlain, Place du Canada, Montreal, Quebec, at 11:00 a.m. (daylight saving time, if operative), for the following purposes:

a. to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31, 1979;

b. to consider and, if deemed fit, to sanction By-law No. 2, enacted by the Board of Directors on February 8, 1980, respecting the age and tenure of directors;

c. to consider and vote upon a Special Resolution to amend the Articles to change the name of the Corporation from "Canadian Pacific Investments Limited - Investissements Canadien Pacifique Limitée" to "Canadian Pacific Enterprises Limited - Les Entreprises Canadien Pacifique Limitée";

d. to consider and vote upon a Special Resolution to amend the Articles to divide the issued and outstanding common shares of the Corporation on a two for one basis;

e. to elect directors;

f. to appoint the auditors and to authorize the Board of Directors to fix their remuneration;

g. to transact such other business as may properly come before the meeting.

The Board of Directors has by resolution fixed the time, before which proxies to be used at the Annual Meeting of Shareholders or any adjournments thereof must be deposited at Montreal, Quebec, with the Corporation or the Montreal Trust Company as Agent for the Corporation, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual Meeting or any adjournments thereof.

By order of the Board,
G. S. MacLean, General Manager, Administration
and Corporate Secretary

Montreal, March 7, 1980

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au secrétaire, Investissements Canadien Pacifique Limitée, bureau 1900, Place du Canada, Montréal, Québec H3B 2N2